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Iberia

Agricultural Situation

Voluntary

2005

Approved by:
Stephen Hammond
U.S. Embassy

Prepared by:
Leonor Ramos

Report Highlights:
We expect Iberian wheat and feed grain importers to import about 6 million tons more during marketing year MY 2005/06 than they imported last year, because of an ongoing drought. This report is a follow-up to SP5004 and PO5003 (LR20PM2SH6)

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1]
[PO]

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Executive Summary

We expect Spanish and Portuguese (Iberian Peninsula) grain importers will likely need to import close to 17 million tons of wheat and feed grains during 2005/06, close to 6 million tons more than they imported during 2004/2005. The additional imports will be needed, because of poor wheat and feed-grain production prospects, and inadequate pastures, leaving livestock operators dependent on compound feeds made with imported ingredients.

Winter wheat/grains and corn production will be down by as much 30-40 percent from 2004/05. Winter wheat and grains, dependent on spring rains have taken the biggest hit, and in some areas could by down by half or more. Corn planted acreage may be reduced by as much as 20 percent, with the possibility that production may be even further reduced. The acreage reduction will be larger in Portugal, due to the introduction of subsidy de-coupling this year. In Spain, payments are still coupled to production, so we don't expect as large a reduction relative to Portugal. Reservoirs are considered to be at about 50 percent in the hardest hit drought areas, which may yet reduce production of rice, pulses, irrigated orchards and vegetables, in addition to corn.

The Governments of Spain (GOS) and Portugal (GOP) have established committees to monitor the drought, promised to help farmers as the losses become known, and asked for help from the European Commission (EC).

U.S. feed grains exports to the Iberian Peninsula will not likely increase significantly, because of ongoing differences in biotechnology policies, but should nonetheless benefit as other exporters fill the feed grain needs here. The biotechnology policies of the EC and many Member States have left Iberian Peninsula importers with fewer import alternatives, which means higher raw material costs.

U.S. wheat and non-feed grain ingredient (NGFI) exports, however, may see improved export prospects on the Iberian Peninsula resulting from the drought. In particular, the quality of the local wheat harvest vis-à-vis other sources of high-quality wheat will be very important to watch as we move into summer. And, for NGFIs, world market pricing will be the determining factor for Spanish importers, but the drought certainly opens opportunities.

Spain: Drought Assistance

The GOS has just now appointed a special drought committee with members from all of the autonomous regions. The drought's worst affects so far this year are through the entire central part of Spain (please see the map below copied from El Paiz—grey area is the most affected). On May 5, the GOS instituted a special committee, the "Oficina Permanente de Adversidades Climáticas" with participation from Regional Autonomies and leading producer organizations to monitor the effects of the drought, and propose measures. Producer organizations have tabled a series of requests, which include special tax breaks, early subsidy payments, and special derogations to Common Agricultural Policy dispositions. The EC has already approved set-aside land use for pasture in Andalusia, Aragon, Castille-La Mancha, Castille-Leon, Catalonia, Extremadura, Madrid, Murcia and Valencia.

Portugal: Current Crop Outlook by Region

The extended drought has greatly reduced Portuguese crop development. According to the drought commission, the current drought is the most serious in 25 years. Below we present summary table with yield changes from last year, drawn from the April 30 report of the drought commission.

Portugal: Crop Outlook by April 30

Crop:	Regions:	EDM	TOM	BL	BI	RO	AL	ALG	Mainland Portugal
Barley	Area share in total (%)	0	5	1	1	15	66	12	100
	Crop Yield Var. (%) 1/	-6	-21	-20	-39	-41	-71	-80	- 68
Oats	Area share in total (%)	1	8	5	6	6	67	7	100
	Crop Yield Var. (%) 1/	-9	-21	-20	-44	-47	-68	-81	-62
Rye	Area share in total (%)	5	62	5	27	0	1	0	100
	Crop Yield Var. (%) 1/	-13	-17	-20	-26	-63	-64	-83	-19
Triticale	Area share in total (%)	-	-	0	9	4	86	1	100
	Crop Yield Var. (%) 1/	-	-	-20	-49	-47	-68	-8	-67
Durum Wheat	Area share in total (%)	-	-	-	-	3	97	0	100
	Crop Yield Var. (%) 1/	-	-	-	-	-44	-71	-83	-69
Soft Wheat	Area share in total (%)	0	30	3	4	5	53	5	100
	Crop Yield Var. (%) 1/	-14	-22	-28	-39	-44	-67	-83	-60

Source: Drought Commission Report dated April 30. EDM – “Entre Douro e Minho”; TOM – “Trás-os-Montes”; BL – “Beira Litoral”; BI – “Beira Interior”; RO – “Ribatejo e Oeste”; AL – “Alentejo”; ALG – “Algarve.” 1/ Relative to 2004 levels

Production, Supply and Distribution Tables for Key Grains

Iberia: Wheat Units: 1,000 Ha; 1,000 Mt

	2000	2001	2002	2003	2004	2005
Area Harvested	2.579	2.361	2.636	2.395	2.341	2.311
Beginning Stocks	696	600	602	669	574	670
Production	7.649	5.162	7.235	6.180	7.359	5.095
MY Imports	4.221	6.628	7.065	4.613	5.300	8.410
MY Imports from US	52	685	207	605	610	660
TOTAL SUPPLY	**12.566**	**12.390**	**14.902**	**11.462**	**13.233**	**14.175**
MY Exports	835	994	1.589	834	1.560	1.060
Feed Consumption	5.354	5.037	7.022	4.659	5.595	7.200
Food Use Dom Use	5.777	5.757	5.622	5.395	5.408	5.400
Total Consumption	11.131	10.794	12.644	10.054	11.003	12.600
Ending Stocks	600	602	669	574	670	515
TOTAL DISTRIBUTION	**12.566**	**12.390**	**14.902**	**11.462**	**13.233**	**14.175**

Iberia: Barley				Units:	1,000 Ha;	1,000 Mt
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Area Harvested	3.300	3.004	3.113	3.122	3.183	3.098
Beginning Stocks	214	707	216	208	209	769
Production	11.099	6.262	8.382	8.707	10.627	6.509
MY Imports	301	2.113	1.198	1.305	863	2.150
MY Imports from US	39	0	0	0	0	0
TOTAL SUPPLY	**11.614**	**9.082**	**9.796**	**10.220**	**11.699**	**9.428**
MY Exports	328	98	105	139	415	69
Feed Consumption	8.709	6.900	7.623	8.012	8.660	7.295
Food Use Dom Use	1.870	1.868	1.860	1.860	1.855	1.855
Total Consumption	10.579	8.768	9.483	9.872	10.515	9.150
Ending Stocks	707	216	208	209	769	209
TOTAL DISTRIBUTION	**11.614**	**9.082**	**9.796**	**10.220**	**11.699**	**9.428**

Iberia: Corn				Units:	1,000 Ha;	1,000 Mt
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Area Harvested	585	668	605	614	612	550
Beginning Stocks	601	650	481	420	392	417
Production	4.865	5.887	5.220	5.151	5.561	4.677
MY Imports	4.415	4.205	4.459	4.584	4.700	5.640
MY Imports from US	4	3	3	3	6	6
TOTAL SUPPLY	**9.881**	**10.742**	**10.160**	**10.155**	**10.653**	**10.734**
MY Exports	113	151	111	201	250	110
Feed Consumption	7.688	8.680	8.209	8.142	8.566	8.900
Food Use Dom Use	1.430	1.430	1.420	1.420	1.420	1.420
Total Consumption	9.118	10.110	9.629	9.562	9.986	10.320
Ending Stocks	650	481	420	392	417	304
TOTAL DISTRIBUTION	**9.881**	**10.742**	**10.160**	**10.155**	**10.653**	**10.734**

Drought Measures Prepared by the GOP

Measures Under CAP Scope

Advance In EU Premium Payment

The GOP asked the EC for an advance of at least 50 percent of livestock premiums (sheep, goat and breeding cows) as well as of the Single Farm Payment (SFP). The purpose of measure is to improve farmer solvency and enable them meet accrued animal feeding costs and weather-induced financial losses.

The EC agreed to advance 80 percent of steer and breeding cow premiums and 50 percent of the SFP. Regulations are pending.

Intervention Grains Transfer to Portugal

Portugal asked for the transfer of 500,000 Mt of grains from intervention stocks to Portugal, in order to help farmers face animal feeding costs, especially severe in the case of animals on pasture. The EC has already approved the measure, but the GOP still needs to negotiate application modalities with the EC. The measure concerns feed wheat, corn and barley. This month, the EU Standing Grains Committee will vote on the transfer of a first share of 200,000 tons of intervention grains into Portugal (40 percent corn, 40 percent wheat and 20 percent barley). If the Committee approves Commission proposal, the grains will be shipped into Portugal and re-sold by the local intervention agency (INGA), which will offer the grains to the trade through a bidding process, with prices starting at the EU intervention levels as a minimal.

Derogation of Maximum Number of Head per Area under EU Council Reg. 1017/94 ("Specific Reserve")

Due to the restrictions set to animal circulation on account of the Blue Tongue disease, the GOP has also asked the EU Commission for permission to go over the maximum numbers of animals per hectare without financial penalties. The EC response is pending.

Extension to all Mainland Territory of permission to use set-aside land for Pasture or Forage

The GOP asked for EC permission to extend authorization of usage of set-aside land for pasture to all the territory, whereas earlier the GOP had obtained such permission only in areas subject to the Blue Tongue eradication Plan ("Alentejo," "Ribatejo e Oeste," "Beira Interior" and "Algarve"). This will enable an increase in forage availability in Trás-os-Montes, Beira Litoral and Entre Douro e Minho. Measure is pending EU Commission publication of regulation.

Derogation of Commitments Made under the Agro-Environmental Measures (AEM)

The GOP has asked for lifting of restrictions associated with the AEM subsidy regime in drought-affected regions, and for the authorization of use in pasture or for forage of all areas with livestock feeding capabilities, regardless of legal restrictions. The EC appears disposed and the GOP is waiting for the formal approval.

Exclusively National Measures

Subsidization of livestock producers to compensate additional costs derived from the pasture shortage and from Blue Tongue-derived restrictions to animal circulation

Subsidy was paid in February 2005 (Please check PO5003), but EU Commission notification was only recently made. Measure is compatible with EU legal dispositions on member-state aid. Total subsidy payments remained under M€ 15.

Institution of Credit Lines

On May 5, the GOP approved three Decrees instituting easy-credit lines, through which M € 125 will be made available to farmers affected by the drought. Measures contemplated by Decree-Laws are the following:

a) Sort-term credit for finance producers of breeding cattle, sheep and goat, as well as bee producers, in the Trás-os-Montes, Beira Interior, Ribatejo e Oeste, Alentejo and Algarve regions. Credit will be granted at zero interest rate. The GOP has assigned M € 50 to this measure.
b) Credit line to finance farmer water drilling and purchase drinking equipment for breeding animals. Measure is available to producers in the Trás-os-Montes, Beira Interior, Ribatejo e Oeste, Alentejo and Algarve. The GOP has assigned M € 45 to this measure.
c) Credit line to support fruit and horticultural producers who have suffered losses due to the drought of at least 20 percent in disfavored regions, or 30 percent in all other. The GOP has assigned M € 30 to this measure.